

MANUFACTURING EXTENSION PARTNERSHIP

Success Stories from the Field

T W Design & Manufacturing

Wisconsin Manufacturing Extension Partnership

WMEP Order Analysis, Customer Profiling Increase Sales for TW

Client Profile:

TW Design & Manufacturing is a CNC machine shop that produces milled and turned precision parts in Montello, Wisconsin. The company employs about 50 people.

Situation:

TW started its road to improvement in 2003 with Lean, when concerns about lack of growth and support from an OEM led them to seek the help of the Wisconsin Manufacturing Extension Partnership (WMEP), a NIST MEP network affiliate. They created a Value Stream Map (VSM) of their entire process, then implemented Lean tools including 5S Visual Workplace, and Setup Reduction/Quick Changeover. Next TW created a VSM of their quoting process. "We had 10 different people involved in the quoting process," said John Whitver, TW president. "Now, four people handle the quotes, and the time to quote has been cut in half, at least," said Whitver. Lean was really helping their bottom-line but they weren't seeing enough growth in sales. The company also realized that they were spending an immense amount of time and resources doing quotes. "They were quoting everything they got in," said Sam Miller, WMEP manufacturing specialist who worked with TW. Once again, TW contacted WMEP for assistance.

Solution:

TW turned to Strategic Repositioning and in particular its Market Intelligence tools for answers to help them understand their quoting process and their customers, which led to more sales and an expanded customer list. Strategic Repositioning helps companies leverage their strategic competencies to redefine their business in order to be more competitive. While Lean tools make operations more efficient, Strategic Repositioning is designed to increase revenues. Market Intelligence specifically helps you identify customer needs and understand changing market conditions. "Their hit rate for quotes that actually turned into orders was around 20 percent," said Whitver. "That's normal for the industry, but it also means that 80 percent of our time (issuing quotes) was spent on activities that didn't result in business." Why were some quotes successful and others not? To find the answer, TW used Quote/Order Analysis. Quote/Order Analysis looks at quote histories to determine why they were won or lost. It may seem that price is the reason most quotes are lost, but that's not always the case. Sometimes the timing of the quote was an issue, with the quote being delayed if parts required outsourcing, and TW had to wait for the outside vendor to provide its own quote. The Quote/Order Analysis also showed that TW had customers who routinely requested quotes but never came through with orders. To further understand this situation, TW used Customer Profiling, another Market Intelligence tool from the Strategic Repositioning toolbox. The main goal of Customer Profiling is to categorize the traits of current customers in order to identify the primary characteristics of good and bad customers. In essence, Customer Profiling answers the question, "What makes a customer a good customer?" Some of the criteria of good customers TW identified were requests for parts made from common materials from customers who placed repeat orders. Other criteria included on-time

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payment, good profit margin and limited outsourcing needs. They then created a matrix with the criteria, listed the customers on the matrix and ranked them. "It's extremely important that companies identify who their customers are," said Larry Baker, WMEP manufacturing specialist and project manager for TW. The work of the company should be matched to the needs of the customers, so that surprises, like custom work that the company isn't equipped for, don't result in lost quotes. By identifying preferred customers, TW was able to prioritize its quoting process. "We identified the customers we really wanted to do more business with and placed a higher priority (on their quotes)," said Whitver. Other customers got a lower priority and for some, after discussing the situation with them, TW declined to issue quotes. "The key is to try to identify who your key accounts are and what types of industries and products you best fit into, then focus on giving those accounts superior attention," said Whitver. TW moved away from customers who were shopping for the best price, but never placed orders. They also started issuing "quick quotes" for one-time orders or orders with low quantities.

Although the initial VSM of the quoting process led them in the right direction, Lean is focused primarily on cutting costs and waste, while Strategic Repositioning with its Market Intelligence tools helped TW grow their top line. "Order Analysis and Customer Profiling not only reveal the current state of your customer base, but lead you to new opportunities for growth," said Baker.

Results:

- * Increased hit rate for quotes from 20 percent to 30-35 percent.
- * Increased sales by 36 percent from 2003 to 2004, and are currently up 62 percent for 2005 (double the growth from last year).
- * Expanded and diversified customer base, with customers in 34 states in at least 15 major industries
- * Increased quoting activity.

Testimonial:

"WMEP is not just another consultant that reads out of a book. They work with us, have been out in the real world and know what's going on."

John Whitver, President